

## UNCLASSIFIED

BMDO RDT&E BUDGET ITEM JUSTIFICATION (R-2 Exhibit)								DATE <b>February 1999</b>		
BUDGET ACTIVITY <b>6 - Management and Support</b>				PE NUMBER AND TITLE <b>0908612C ACQ PGM RESERVE</b>				PROJECT <b>6001</b>		
COST (In Thousands)	FY 1998 Actual	FY 1999 Estimate	FY 2000 Estimate	FY 2001 Estimate	FY 2002 Estimate	FY 2003 Estimate	FY 2004 Estimate	FY 2005 Estimate	Cost to Complete	Total Cost
6001 Program Stability Reserve	0	0	0	9821	17656	23515	35238	35205	Continuing	Continuing

  

**A. Mission Description and Budget Item Justification**

Acquisition Program Managers were directed to build flexibility into their acquisition accounts by programming resource reserves to offset reasonable growth in costs associated with complex, technologically advanced systems which may not achieve anticipated cost reductions. The reserve fund is to offset cost growth associated with technical risk and uncertainty in acquisition programs. These reserve funds are to be pooled, held and managed by BMDO's Acquisition executive and liquidated before the budget is submitted to Congress. The long-term goals intended to achieve substantial annual cost reductions should be integral to agreements between government and Industry. These agreements should provide contractors financial incentives to achieve aggressive cost reduction goals. Agreements should be structured to "deincenivize" cost growth through reduced financial gain if the cost reduction goals are not reached.

OUSD direction: Beginning in FY 2001 the BMDO will explicitly program funds into a risk reserve, at levels directed by the Deputy Secretary in the fiscal guidance. The liquidation of these reserves prior to submission of the budget as risks materialize will be managed by the Military Departments or Defense Agencies and overseen by the USD(A&T). The kinds of problems for which this reserve could be used include: labor rate changes, threat uncertainty, unforeseeable facilities and equipment problems and unexpected technical problems. Components are cautioned that this reserve is not intended to increase program scope or to be used as a source for other program bills in the year of execution.

**FY 1998 Accomplishments:**

- This project has no funding in FY 1998 under this PE.

Total                      0

**FY 1999 Planned Program:**

- This project has no funding in FY 1999 under this PE.

Total                      0

**FY 2000 Planned Program:**

- This project has no funding in FY 2000 under this PE.

Total                      0

**FY 2001 Planned Program:**

  

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